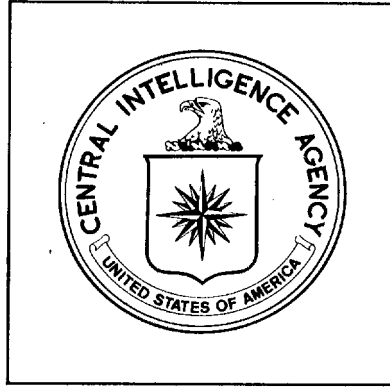


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SOVIET UNION - EASTERN EUROPE

This publication is prepared for regional specialists in the Washington community by the USSR - Eastern Europe Division, Office of Current Intelligence, with occasional contributions from other offices within the Directorate of Intelligence. Comments and queries are welcome. They should be directed to the authors of the individual articles.

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Soviet Views on "Option III"
At MBFR Talks

The Soviets, from Brezhnev on down, continue to maintain that they are interested in an MBFR agreement, but they reportedly are preparing a cool initial response to the Western proposal to reduce nuclear weapons in return for a reduction in the number of Warsaw Pact tanks. This is the so-called Option III, which NATO is scheduled to present tomorrow.

During most of the present negotiating round, the Soviets have anticipated the Western proposal and have frequently sought to belittle its military importance. In a further effort to lessen the public impact of the proposal, chief Soviet delegate Khlestov requested on December 13 that it be presented at an informal rather than a plenary session. Khlestov grumbled that some Moscow authorities were disturbed by the advance publicity the proposal was receiving and that "one school of thought," which regarded the proposal as merely a propaganda move, advocated outright rejection of Option III. Both sides have traded accusations about violation of the secrecy of the talks and manipulation of the press in the past. So far the Soviets have at least held their own in the propaganda field, and they are anxious to keep the West from seizing the propaganda advantage.

There is little doubt that the Soviets will label the Western proposal unacceptable in its present form, but it is unlikely that they will flatly reject it. Rejection would bring the negotiations to a complete impasse, and the Soviets appear to believe that there are advantages to be gained from continued negotiations and an eventual agreement. Furthermore, the Western proposal has features

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that will appeal to the Soviets and thus may transfer the negotiations to a more productive plane. It moves some distance, for example, toward recognizing the long-standing Soviet position that nuclear weapon systems should be included in the reductions. (SECRET NOFORN/NOCONTRACT/ORCON)

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Masherov Addresses Economic Problems

Petr Masherov, Belorussian first secretary and candidate member of the Politburo, has recently delivered two somewhat different pronouncements on economic policy in light of the harvest failure and other problems. On his home territory and before the Central Committee met in Moscow, he attacked an important element of agricultural policy, strongly implying criticism of the center and perhaps of Brezhnev. In a post-plenum article in *Pravda*, however, he lavishly praised the General Secretary and directed attention to reform measures in industry, a subject less associated with Brezhnev.

Masherov spoke to a plenum of the Belorussian Central Committee on November 24, a week before the CPSU Central Committee and USSR Supreme Soviet discussed the economy and 1976 plans. He bluntly described economic difficulties in the republic. He noted that the republic targets for industrial growth next year are smaller than this year and announced that the Belorussian Central Committee had already decreed the production of above-plan output. He also noted that procurement plans for milk and meat next year were no larger than this year's and warned of possible cuts in the volume of marketed basic foodstuffs if plans are not met. Turning to the farms, Masherov revealed that only 71 percent of socialized cattle in the republic have enough fodder to tide them over the winter and that maintenance of the current size of cattle herds is in doubt.

Masherov did not stress the weather as the cause of agricultural shortfalls in the present five year plan. Instead, he pointed to insufficient use of available resources and the potential for improving efficiency, saying that "this, and only this," is the main reason Belorussia did not meet important agricultural targets.

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The heart of Masherov's criticism of agricultural policy concerned the construction of large livestock-raising and dairy farming complexes. He charged that leaders and specialists, rushing to create complexes and to get investment funds for this purpose, have ignored the development of feed production, leaving the new complexes drastically short. Saying that there are insufficient means to construct complexes and to create a feed base simultaneously, Masherov called for a "review" of the agricultural construction program in the next five year plan. In fact, he proposed scrapping the program to build complexes and directing investments to fodder production.

Although couched in terms of the republic, Masherov's critique was certainly aimed also at the agricultural bureaucracy in Moscow, first of all Agricultural Minister Polyansky, and perhaps agricultural secretary Kulakov. Given Brezhnev's important role in agricultural policy, Masherov's discussion would seem to imply criticism of the General Secretary. An anti-Brezhnev intent may also be seen in the scarcity of references to the General Secretary and the refusal to play up the official line on the effect of poor weather. Over the years, Masherov has vacillated in his support for Brezhnev and has on occasion attacked his policies, such as the consumer program in 1971.

Masherov changed his tune, however, in an article in *Pravda* on December 7, shortly after the Central Committee and Supreme Soviet met in Moscow. He offered a more positive evaluation of the economic situation and put more blame on the weather for harvest difficulties. He repeatedly praised Brezhnev and attributed Belorussian successes to effective party and government measures taken "at the initiative and with the direct personal participation" of Brezhnev.

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Remarking on the enormous size of investment funds, Masherov said the important question was the effectiveness of their use, which depends on local organs (republic, kray, and oblast) and on union ministries and departments. Instead of arguing for altering investment programs, Masherov used the theme of effectiveness to advocate management reforms. In general, he complained about the continued sway of indicators of volume and quantity. In particular, he commended a Belorussian experiment in the construction industry, where he said "new approaches and radical solutions" must replace the "forceful methods" of the past.

The experiment, to start in January, introduces new planning and payment procedures, expands the use of economic levers and the rights of builders, and puts the ministry involved on a cost-accounting basis. Besides using this example to advocate reform measures in general, Masherov may also have been trying to demonstrate that the republic is addressing problems in the construction industry, which he sharply criticized at the Belorussian plenum.

Differences in forum and timing may account for some of the variations in Masherov's two statements. The variations help obscure Masherov's precise intent. The statements, nevertheless, show that economic difficulties provide an opportunity both for opening debate on investment programs and for raising the issue of reforms. (UNCLASSIFIED)

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Serb Party Names New
Man to Number-Two Post

In its first important personnel move in almost three years, the Serb party leadership last Saturday named a 39-year-old economic functionary to its number-two post.

The newcomer, Ivan Stambolic, takes over one of the most responsible posts in the Serbian party. As a secretary of the republic party, Stambolic will be in the direct line of fire for the day-to-day management of both party affairs and important political and economic developments.

Stambolic may have some high-ranking patron in his corner. His name suggests a relationship to Petar Stambolic, Serbia's representative on the Yugoslav collective state presidency.

Stambolic has been a member of the Serb central committee only since April 1974, and it is unusual for such a junior official to assume such responsibility in Serbia. The move suggests that the republic party is bowing to pressure from the federal party organization to inject new blood into the local leaderships.

Stambolic's predecessor was Djordje Lazic, a 58-year-old party hack who came to power in January 1973, when another younger man, after only four months on the job, was ingloriously sacked for incompetence. Press comments suggest that Lazic might now be the scapegoat for poor economic results. (CONFIDENTIAL)

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USSR: Automobile Industry

The USSR is preparing to more than double the size of its car industry. By 1980, it expects to expand its production capacity to at least three million units per year, compared with 1.2 million units at present. Minister of the Automotive Industry V.N. Polyakov, formerly head of the Tolyatti plant, and D.M. Gvishiani, deputy chairman of the State Committee for Science and Technology, are pushing some of the negotiations with Western firms for help in building one or more plants. They are talking with at least one US company about building a new plant and have talked to Fiat about doubling the size of the Tolyatti plant, which now is producing 660,000 cars per year.

The Soviets are also seeking car design, plant layout, and production equipment. They are offering to pay for the assistance partly in components and finished cars, an arrangement that Fiat prefers to the long-term financing of its earlier contract.

US firms are reluctant to join the Soviets in this kind of venture because of possible competition with their overseas subsidiaries. Fiat, however, seems ready and willing to sign a second contract with the USSR, despite costly overruns and disappointing financial returns from the Tolyatti experience. Fiat will insist on protecting its Western markets by restricting Soviet exports, which it failed to do before.

Although the USSR wants to expand markets in the West, it is building cars mainly to increase its domestic inventory, now about 5 million, and to supply other CEMA members. Last year the industry turned out 1.1 million cars and exported one fourth of them to Eastern Europe. Some 40,000 cars were exported to Western Europe. (CONFIDENTIAL)

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